

WEST BRANCH COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS,
BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND SCHEDULE OF FINDINGS

JUNE 30, 2015

WEST BRANCH COMMUNITY SCHOOL DISTRICT

Table of Contents

June 30, 2015

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-4
Management's Discussion and Analysis	5-15
Basic Financial Statements	<u>Exhibit</u>
Government-wide Financial Statements	
Statement of Net Position	A 17-18
Statement of Activities	B 19-20
Governmental Fund Financial Statements	
Balance Sheet	C 21
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D 22
Statement of Revenues, Expenditures and Changes in Fund Balances	E 23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 24
Proprietary Fund Financial Statements	
Statement of Net Position	G 25
Statement of Revenues, Expenses and Changes in Net Position	H 26
Statement of Cash Flows	I 27
Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Position	J 28
Notes to Financial Statements	29-48
Required Supplementary Information	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund	50
Notes to Required Supplementary Information - Budgetary Reporting	51
Schedule of the District's Proportionate Share of the Net Pension Liability	52
Schedule of District Contributions	53
Notes to Required Supplementary Information - Pension Liability	54-55
Schedule of Funding Progress for the Retiree Health Plan	56

WEST BRANCH COMMUNITY SCHOOL DISTRICT

Table of Contents

June 30, 2015

Supplementary Information	<u>Schedule</u>	<u>Page</u>
Nonmajor Governmental Funds		
Combining Balance Sheet	1	58
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	59
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	60-61
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	4	62
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	5	63
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		64-65
Schedule of Findings		66-69
Audit Staff		70

WEST BRANCH COMMUNITY SCHOOL DISTRICT

Officials

June 30, 2015

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Kathy Knoop	Board President	2015
Mike Colbert	Board Vice President	2017
Deb Schreiber	Board Member	2015
Richard Paulus	Board Member	2015
Mike Owen	Board Member	2017
School Officials		
Kevin Hatfield	Superintendent	2016
Angie Klinkkammer	District Secretary/Treasurer	Indefinite
C. Joseph Holland	Attorney	Indefinite

Kay L. Chapman, CPA PC

116 Harrison Street
Muscatine, Iowa 52761
563-264-1385
kchapman@cpakay.com

Independent Auditor's Report

To the Board of Education of
West Branch Community School District:

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of West Branch Community School District, West Branch, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of West Branch Community School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 14 to the financial statements, West Branch Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. My opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 15 and 50 through 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Branch Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated March 8, 2016 on my consideration of West Branch Community School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering West Branch Community School District's internal control over financial reporting and compliance.

Kay L. Chapman, CPA PC

Kay L. Chapman, CPA PC
March 8, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

West Branch Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$8,613,688 in fiscal 2014 to \$8,932,154 in fiscal 2015, and General Fund expenditures increased from \$8,413,018 in fiscal 2014 to \$8,694,186 in fiscal 2015. The District's General Fund balance increased from \$1,472,560 in fiscal 2014 to \$1,710,636 in fiscal 2015, a 17% increase.
- The increase in General Fund revenues was attributable to an increase in open enrollment and Medicaid reimbursement. The increase in General Fund expenditures was primarily due to salary and benefit increases as well as some additional programs.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of West Branch Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report West Branch Community School District's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which West Branch Community School District acts solely as an agent or custodian for the benefit of those outside of District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

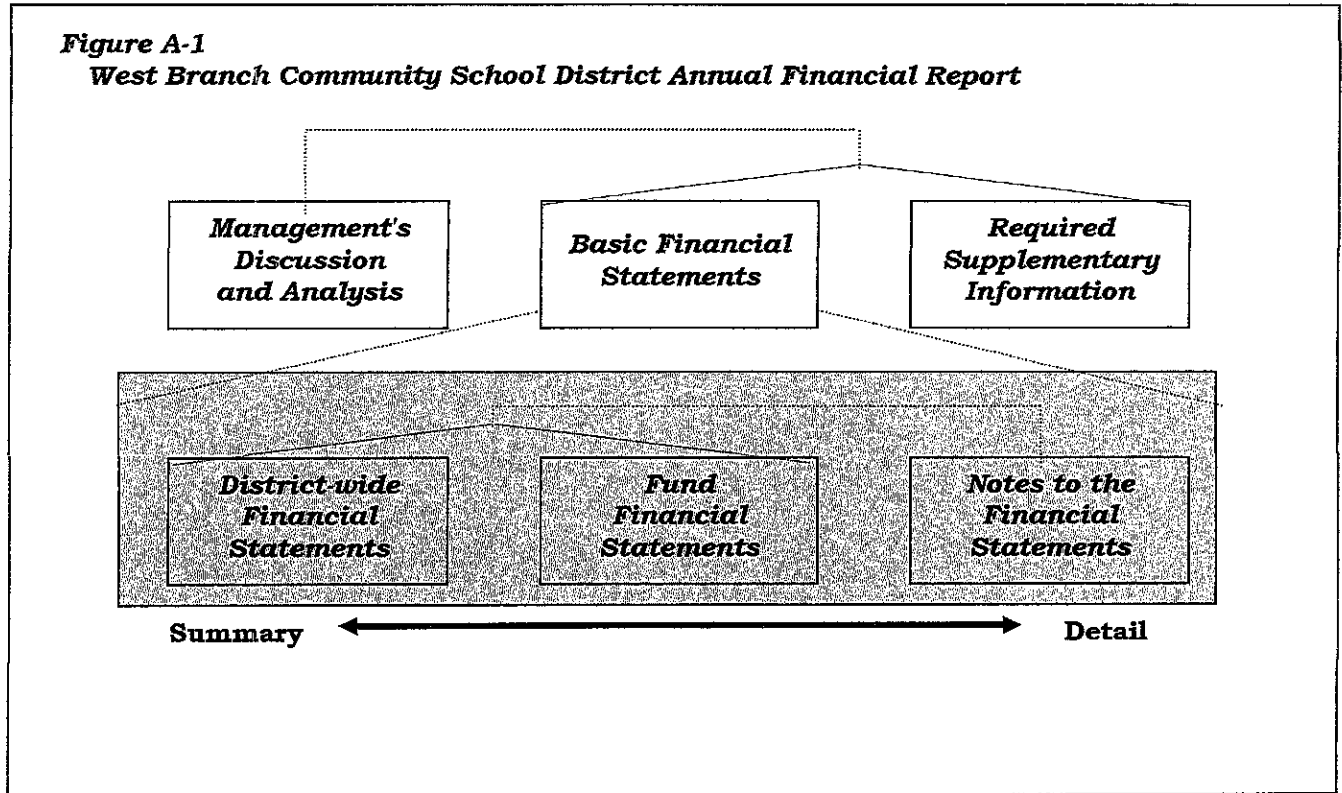


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services	Instances in which the District administers resources on behalf of someone else, such as student assistance programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow/inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of fund balance that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Capital Projects, the Debt Service and the Special Revenue Funds.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) *Proprietary fund*: Services for which the District charges a fee are generally reported in a proprietary fund. The proprietary fund is reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activity but provides more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for the proprietary fund include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

- 3) *Fiduciary fund*: The District is the trustee, or fiduciary, for assets that belong to others. This fund consists of an Agency Funds.

- **Agency Funds** – These are funds through which the District administers and accounts for a student assistance program.

The District is responsible for ensuring the assets reported in the fiduciary fund are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for the fiduciary fund include a Statement of Fiduciary Net Position. A Statement of Changes in Fiduciary Net Position is included as supplementary information.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2015 compared to June 30, 2014.

Figure A-3

Condensed Statement of Net Position

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-2015
Current and other assets	\$ 9,807,934	\$ 9,448,978	\$ 87,039	\$ 90,112	\$ 9,894,973	\$ 9,539,090	3.73%
Capital assets	8,831,641	8,452,539	19,553	23,559	8,851,194	8,476,098	4.43%
Total assets	18,639,575	17,901,517	106,592	113,671	18,746,167	18,015,188	4.06%
Deferred outflows of resources	587,608	-	10,182	-	597,790	-	100.00%
Long-term liabilities	7,050,072	4,681,446	44,361	-	7,094,433	4,681,446	51.54%
Other liabilities	378,916	246,429	541	5,622	379,457	252,051	50.55%
Total liabilities	7,428,988	4,927,875	44,902	5,622	7,473,890	4,933,497	51.49%

Deferred inflows of resources	<u>5,671,592</u>	<u>4,529,070</u>	<u>17,164</u>	<u>-</u>	<u>5,688,756</u>	<u>4,529,070</u>	25.61%
Net position							
Net investment in							
capital assets	5,031,641	4,147,539	19,553	23,559	5,051,194	4,171,098	21.10%
Restricted	3,686,217	3,444,560	-	-	3,686,217	3,444,560	7.02%
Unrestricted	<u>(2,591,255)</u>	<u>852,473</u>	<u>35,155</u>	<u>84,490</u>	<u>(2,556,100)</u>	<u>936,963</u>	-372.81%
Total net position	<u>\$ 6,126,603</u>	<u>\$ 8,444,572</u>	<u>\$ 54,708</u>	<u>\$ 108,049</u>	<u>\$ 6,181,311</u>	<u>\$ 8,552,621</u>	-27.73%

The District's total net position decreased by approximately 28%, or \$2,371,310, from the prior year. The largest portion of the District's net position is the restricted net position. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$241,657, or approximately 7% over the prior year. The increase in the Management fund was due to increasing the levy for early retirement offering and insurance purposes. Lastly, the PPEL fund also saw an increase.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$3,493,063, or 373%. The decrease was primarily due to the District's amount of revenue in 2014 in relation to expenditures; however, the primary reason for the reduction in unrestricted net position was implementation of GASB Statement No. 68 during the current fiscal year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$3,665,689 and \$55,823, respectively, to retroactively, report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-4 shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-4

	Change in Net Position						Total Change
	Governmental Activities		Business Type Activities		Total District		
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-2015
Revenues							
Program revenues							
Charges for service	\$ 931,444	\$ 717,330	\$ 147,650	\$ 158,014	\$ 1,079,094	\$ 875,344	23.28%
Operating grants	1,364,520	1,262,981	136,951	135,263	1,501,471	1,398,244	7.38%
General revenues							
Property tax	5,002,709	4,896,559	-	-	5,002,709	4,896,559	2.17%
Statewide sales, services and use tax	847,252	750,260	-	-	847,252	750,260	12.93%
Unrestricted state grants	3,177,283	3,207,219	-	-	3,177,283	3,207,219	-0.93%
Contributions and donations	-	1,658	-	-	-	1,658	-100.00%
Unrestricted investment earnings	15,399	15,318	428	392	15,827	15,710	0.74%
Other	8,175	73,416	-	-	8,175	73,416	-88.86%
Special item - gain on sale of assets	-	18,685	-	-	-	18,685	-100.00%
Total revenues and special item	<u>11,346,782</u>	<u>10,943,426</u>	<u>285,029</u>	<u>293,669</u>	<u>11,631,811</u>	<u>11,237,095</u>	3.51%
Program expenses							
Governmental activities							
Instruction	6,063,566	6,282,199	-	-	6,063,566	6,282,199	-3.48%
Support services	2,974,818	2,973,570	-	-	2,974,818	2,973,570	0.04%
Non-instructional programs	-	-	282,547	288,938	282,547	288,938	-2.21%
Other expenses	<u>960,678</u>	<u>776,276</u>	<u>-</u>	<u>-</u>	<u>960,678</u>	<u>776,276</u>	23.75%
Total expenses	<u>9,999,062</u>	<u>10,032,045</u>	<u>282,547</u>	<u>288,938</u>	<u>10,281,609</u>	<u>10,320,983</u>	-0.38%
Change in net position	1,347,720	911,381	2,482	4,731	1,350,202	916,112	47.38%
Net position beginning of year, as restated	<u>4,778,883</u>	<u>7,533,191</u>	<u>52,226</u>	<u>103,318</u>	<u>4,831,109</u>	<u>7,636,509</u>	-36.74%
Net position end of year	<u>\$ 6,126,603</u>	<u>\$ 8,444,572</u>	<u>\$ 54,708</u>	<u>\$ 108,049</u>	<u>\$ 6,181,311</u>	<u>\$ 8,552,621</u>	-27.73%

In fiscal year 2015, property tax and unrestricted state grants accounted for approximately 72% of governmental activities revenue while charges for service and sales and operating grants and contributions accounted for approximately 99% of business type activities revenue.

The District's total revenues were \$11,631,811 of which \$11,346,782 was for governmental activities and \$285,029 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4% increase in revenues and a less than 1% decrease in expenses. Revenues increased due to an increase in open enrollment and Medicaid Reimbursement. Expenditures increased primarily due to negotiated salary and benefits increases as well as an increase due to inflation.

Governmental Activities

Revenues for governmental activities were \$11,346,782 and expenses were \$9,999,062 for the year ended June 30, 2015. The District continues to attempt to keep expenses below revenues whenever possible to maintain a strong financial position.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-5

Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not restated)	Change 2014-2015	2015	2014 (Not restated)	Change 2014-2015
Instruction	\$ 6,063,566	\$ 6,282,199	-3.5%	\$ 4,109,029	\$ 4,630,129	-11.3%
Support services	2,974,818	2,973,570	0.0%	2,967,433	2,965,046	0.1%
Other expenses	<u>960,678</u>	<u>776,276</u>	23.8%	<u>626,636</u>	<u>456,559</u>	37.3%
Total expenses	<u>\$ 9,999,062</u>	<u>\$ 10,032,045</u>	-0.3%	<u>\$ 7,703,098</u>	<u>\$ 8,051,734</u>	-4.3%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$931,444.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,364,520.
- The net cost of governmental activities was financed with \$5,849,961 in property and other taxes and \$3,177,283 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2015 were \$285,029 representing a 3% decrease from the prior year, while expenses totaled \$282,547, a 3% decrease from the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

The District saw a decrease in revenues due to a decrease in student meal sales. The District continues to try and enhance school lunches by implementing salad bars and providing more fruits and vegetables.

INDIVIDUAL FUND ANALYSIS

As previously noted, West Branch Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$4,465,371 significantly above last year's ending

fund balances of \$4,320,653. The primary reason for the increase in combined fund balances in fiscal 2015 is an increase in the General Fund revenues.

Governmental Fund Highlights

- The General Fund balance increased from \$1,472,560 to \$1,710,636. This was due to an increase in revenue from increased open enrollment and Medicaid reimbursement.
- The Capital Projects Fund - Statewide Sales, Services and Use Tax fund balance decreased from \$1,762,425 in 2014 to \$1,558,488 in 2015. This is primarily due to the capital improvement projects the District completed, such as the high school parking lot expansion in accordance with the Master Facilities Plan.
- The Capital Fund – Physical Plant and Equipment Levy fund balance increased from \$777,807 in 2014 to \$883,444 in 2015 due to the timing of projects. The District did not fund any major projects out of the PPEL Fund during the year.

Proprietary Fund Highlights

Enterprise fund net position increased from \$52,226 at June 30, 2014 to \$54,708 at June 30, 2015, representing an increase of approximately 5%. Meal prices increased and the District continues to make a concerted effort to hold down costs whenever possible.

BUDGETARY HIGHLIGHTS

The District did not amend its budget during the year ended June 30, 2015.

The District's revenues were \$446,803 more than budgeted revenues, a variance of approximately 4%.

Total expenditures were \$2,091,460 less than budgeted, due primarily to the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$8,851,194, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of approximately 4% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$364,240.

The original cost of the District's capital assets was \$15,481,230. Governmental funds account for \$15,338,929, with the remainder of \$142,301 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the improvements, other than buildings category, which increased to \$855,227 at 2015 from \$371,109 in 2014. This was due to the improvements to the parking lot.

Figure A-6

Capital Assets, Net of Depreciation							
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2014-2015</u>
Land	\$ 116,055	\$ 116,055	\$ -	\$ -	\$ 116,055	\$ 116,055	0.00%
Buildings and improvements	7,447,425	7,742,226	-	-	7,447,425	7,742,226	-3.81%
Improvements, other than buildings	855,227	371,109	-	-	855,227	371,109	130.45%
Furniture and equipment	<u>412,934</u>	<u>223,149</u>	<u>19,553</u>	<u>23,559</u>	<u>432,487</u>	<u>246,708</u>	75.30%
Totals	<u>\$8,831,641</u>	<u>\$8,452,539</u>	<u>\$19,553</u>	<u>\$23,559</u>	<u>\$ 8,851,194</u>	<u>\$8,476,098</u>	4.43%

Long-Term Debt

At June 30, 2015, the District had \$7,094,433 of total long-term debt outstanding. This represents a decrease of approximately 20% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt since 1997. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$7.1 million.

Figure A-7

Outstanding Long-term Obligations			
	Total		Total
	District		Change
	June 30,		June 30,
	<u>2015</u>	<u>2014 (restated)</u>	<u>2014-2015</u>
Governmental activities			
General obligation bonds	\$ 1,085,000	\$ 1,455,000	-25.43%
Revenue bonds	2,715,000	2,850,000	-4.74%
Termination benefits	37,350	129,907	-71.25%
Compensated absences	39,592	34,593	14.45%
Net pension liability	2,913,083	4,094,909	-28.86%
Net OPEB liability	<u>260,047</u>	<u>211,946</u>	22.69%
Total	7,050,072	8,776,355	-19.67%

Business type activities

Net pension liability	<u>44,361</u>	<u>62,358</u>	-28.86%
Total	<u>\$ 7,094,433</u>	<u>\$ 8,838,713</u>	-19.73%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances which could significantly affect its financial health in the future:

- The District's enrollment had another sizeable decrease in the fall of 2015 which will have an impact on revenues for the 2016-17 year.
- The Board of Education approved the District's 15-Year Master Facilities Plan. The plan is supportive of long-term facilities improvements. These improvements, of which some have already begun, will provide exceptional facilities to meet the education and career challenges ahead. The Plan will help with steady growth by attracting more families and students to the area.
- Considering the unknown of supplemental state aid, budgeting for the 2016-17 school year will be difficult, coupled with the decline in enrollment, the District will need to make cost containments in 2016-17 in order to maintain strong financial health.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Angie Klinkkammer, Business Manager/Board Secretary/Treasurer, West Branch Community School District, 801 W Main Street, West Branch, IA 52358.

Basic Financial Statements

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Statement of Net Position
June 30, 2015

Exhibit A

	Governmental Activities	Business Type Activities	Total
Assets			
Cash, cash equivalents and pooled investments			
Cash with fiscal agent	\$ 445,229	\$ -	\$ 445,229
Other	3,939,420	74,961	4,014,381
Receivables			
Property tax			
Delinquent	34,117	-	34,117
Succeeding year	4,560,618	-	4,560,618
Accounts receivable	150,363	4,370	154,733
Income surtax	457,670	-	457,670
Due from other governments	220,517	2,735	223,252
Inventories	-	4,973	4,973
Non-depreciable capital assets	116,055	-	116,055
Capital assets, net of accumulated depreciation	8,715,586	19,553	8,735,139
Total assets	<u>18,639,575</u>	<u>106,592</u>	<u>18,746,167</u>
Deferred Outflows of Resources			
Pension related deferred outflows	<u>587,608</u>	<u>10,182</u>	<u>597,790</u>
Liabilities			
Accounts payable	322,697	541	323,238
Salaries and benefits payable	1,578	-	1,578
Accrued interest payable	54,641	-	54,641
Long-term liabilities			
Portion due within one year			
General obligation bonds	360,000	-	360,000
Revenue bonds	135,000	-	135,000
Termination benefits	9,600	-	9,600
Portion due after one year			
General obligation bonds	725,000	-	725,000
Revenue bonds	2,580,000	-	2,580,000
Termination benefits	27,750	-	27,750
Compensated absences	39,592	-	39,592
Net pension liability	2,913,083	44,361	2,957,444
Net OPEB liability	260,047	-	260,047
Total liabilities	<u>7,428,988</u>	<u>44,902</u>	<u>7,473,890</u>

See notes to financial statements.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Statement of Net Position
June 30, 2015

Exhibit A

	Governmental Activities	Business Type Activities	Total
Deferred Inflows of Resources			
Unavailable property tax revenue	\$ 4,560,618	\$ -	\$ 4,560,618
Pension related deferred inflows	<u>1,110,974</u>	<u>17,164</u>	<u>1,128,138</u>
Total deferred inflows of resources	<u>5,671,592</u>	<u>17,164</u>	<u>5,688,756</u>
Net Position			
Net investment in capital assets	5,031,641	19,553	5,051,194
Restricted for			
Categorical funding	781,679	-	781,679
Student activities	116,474	-	116,474
Management levy purposes	116,797	-	116,797
Physical plant and equipment	1,112,279	-	1,112,279
School infrastructure	1,558,988	-	1,558,988
Unrestricted	<u>(2,591,255)</u>	<u>35,155</u>	<u>(2,556,100)</u>
Total net position	<u>\$ 6,126,603</u>	<u>\$ 54,708</u>	<u>\$ 6,181,311</u>

See notes to financial statements.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2015

Exhibit B

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted		Governmental Activities	Business Type Activities
			Interest	Interest		
Governmental activities						Total
Instruction						
Regular instruction	\$ 3,816,761	\$ 430,124	\$ 879,365	\$ -	\$ (2,507,272)	\$ -
Special instruction	1,099,665	116,346	139,650	-	(843,669)	-
Other instruction	1,147,140	384,974	4,078	-	(758,088)	-
	6,063,566	931,444	1,023,093	-	(4,109,029)	-
Support services						
Student	233,609	-	-	-	(233,609)	-
Instructional staff	269,136	-	4,020	-	(265,116)	-
Administration	1,195,999	-	-	-	(1,195,999)	-
Operation and maintenance of plant	869,085	-	-	-	(869,085)	-
Transportation	406,989	-	3,365	-	(403,624)	-
	2,974,818	-	7,385	-	(2,967,433)	-
Other expenses						
Facilities acquisition	214,335	-	-	-	(214,335)	-
Long-term debt interest	122,521	-	-	-	(122,521)	-
AEA flowthrough	334,042	-	334,042	-	-	-
Depreciation (unallocated) *	289,780	-	-	-	(289,780)	-
	960,678	-	334,042	-	(626,636)	-
Total governmental activities	9,999,062	931,444	1,364,520	-	(7,703,098)	-

See notes to financial statements.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2015

Exhibit B

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Operating Grants, Contributions and Restricted Interest	Charges for Services	Capital Grants, Contributions and Restricted Interest	Governmental Business Type Activities	Activities
<u>Functions/Programs (continued)</u>					
Business type activities					
Non-instructional programs					
Food service operations					
Total	\$ 282,547	\$ 147,650	\$ 136,951	\$ -	\$ 2,054
	\$ 10,281,609	\$ 1,079,094	\$ 1,501,471	\$ -	\$ (7,701,044)
<u>General Revenues</u>					
Property tax levied for					
General purposes					
Debt service					
Capital outlay					
Statwide sales, services and use tax					
Unrestricted state grants					
Unrestricted investment earnings					
Other					
Total general revenues	4,070,449			-	4,070,449
Change in net position	379,732			-	379,732
Net position beginning of year, as restated	552,528			-	552,528
Net position end of year	847,252			-	847,252
	3,177,283			-	3,177,283
	15,399			428	15,827
	8,175			-	8,175
	9,050,818			428	9,051,246
	1,347,720			2,482	1,350,202
	4,778,883			52,226	4,831,109
	\$ 6,126,603			\$ 54,708	\$ 6,181,311

* This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2015

Exhibit C

		Capital Projects			Total
		Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	
Assets	<u>General</u>				
Cash, cash equivalents and pooled investments					
Cash with fiscal agent	\$ -	\$ 445,229	\$ -	\$ -	\$ 445,229
Other	1,721,293	997,618	887,503	333,006	3,939,420
Receivables					
Property tax					
Delinquent	26,802	-	2,315	5,000	34,117
Succeeding year	3,558,645	-	320,431	681,542	4,560,618
Accounts receivable	149,366	-	-	997	150,363
Income surtax	228,835	-	228,835	-	457,670
Due from other governments	100,887	119,630	-	-	220,517
Total assets	<u>\$5,785,828</u>	<u>\$ 1,562,477</u>	<u>\$1,439,084</u>	<u>\$ 1,020,545</u>	<u>\$ 9,807,934</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable	\$ 286,134	\$ 3,989	\$ 6,374	\$ 26,200	\$ 322,697
Employee benefits payable	1,578	-	-	-	1,578
Total liabilities	<u>287,712</u>	<u>3,989</u>	<u>6,374</u>	<u>26,200</u>	<u>324,275</u>
Deferred inflows of resources					
Unavailable revenue					
Succeeding year property tax	3,558,645	-	320,431	681,542	4,560,618
Income surtax	228,835	-	228,835	-	457,670
Total deferred inflows of resources	<u>3,787,480</u>	<u>-</u>	<u>549,266</u>	<u>681,542</u>	<u>5,018,288</u>
Fund balances					
Restricted for					
Categorical funding	781,679	-	-	-	781,679
Debt service	-	-	-	41,682	41,682
Management levy purposes	-	-	-	154,147	154,147
Student activities	-	-	-	116,474	116,474
School infrastructure	-	1,558,488	-	500	1,558,988
Physical plant and equipment	-	-	883,444	-	883,444
Unassigned	928,957	-	-	-	928,957
Total fund balances	<u>1,710,636</u>	<u>1,558,488</u>	<u>883,444</u>	<u>312,803</u>	<u>4,465,371</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$5,785,828</u>	<u>\$ 1,562,477</u>	<u>\$1,439,084</u>	<u>\$ 1,020,545</u>	<u>\$ 9,807,934</u>

See notes to financial statements.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position
June 30, 2015

Exhibit D

Total fund balances of governmental funds	\$4,465,371
--	--------------------

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	8,831,641
--	-----------

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.	457,670
--	---------

Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.	(54,641)
--	----------

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources	\$ 587,608	
Deferred inflows of resources	<u>(1,110,974)</u>	(523,366)

Long-term liabilities, including bonds payable, early retirement benefits payable, compensated absences payable and other postemployment benefits payable and net pension liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(7,050,072)</u>
--	--------------------

Net position of governmental activities	<u>\$6,126,603</u>
--	---------------------------

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

Exhibit E

	Capital Projects				
	General	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
Revenues					
Local sources					
Local tax	\$3,747,012	\$ -	\$ 528,106	\$ 656,900	\$4,932,018
Tuition	405,532	-	-	-	405,532
Other	156,324	514	-	392,542	549,380
State sources	4,388,771	770,794	5,249	11,747	5,176,561
Federal sources	234,515	-	-	-	234,515
Total revenues	<u>8,932,154</u>	<u>771,308</u>	<u>533,355</u>	<u>1,061,189</u>	<u>11,298,006</u>
Expenditures					
Current					
Instruction					
Regular	3,699,160	2,940	211,215	92,557	4,005,872
Special	1,122,865	-	-	-	1,122,865
Other	775,899	-	-	388,569	1,164,468
	<u>5,597,924</u>	<u>2,940</u>	<u>211,215</u>	<u>481,126</u>	<u>6,293,205</u>
Support services					
Student	236,207	-	-	-	236,207
Instructional staff	258,183	836	9,847	-	268,866
Administration	1,173,771	-	-	46,326	1,220,097
Operation and maintenance of plant	742,857	-	-	129,716	872,573
Transportation	351,202	-	124,051	14,566	489,819
	<u>2,762,220</u>	<u>836</u>	<u>133,898</u>	<u>190,608</u>	<u>3,087,562</u>
Other expenditures					
Facilities acquisition	-	726,926	82,605	-	809,531
Long-term debt					
Principal	-	-	-	505,000	505,000
Interest and fiscal charges	-	-	-	124,056	124,056
AEA flowthrough	334,042	-	-	-	334,042
	<u>334,042</u>	<u>726,926</u>	<u>82,605</u>	<u>629,056</u>	<u>1,772,629</u>
Total expenditures	<u>8,694,186</u>	<u>730,702</u>	<u>427,718</u>	<u>1,300,790</u>	<u>11,153,396</u>
Excess (deficiency) of revenues over (under) expenditures	<u>237,968</u>	<u>40,606</u>	<u>105,637</u>	<u>(239,601)</u>	<u>144,610</u>
Other financing sources (uses)					
Transfers in	-	-	-	244,543	244,543
Proceeds from sale of equipment	108	-	-	-	108
Transfers out	-	(244,543)	-	-	(244,543)
Total other financing sources (uses)	<u>108</u>	<u>(244,543)</u>	<u>-</u>	<u>244,543</u>	<u>108</u>
Change in fund balances	238,076	(203,937)	105,637	4,942	144,718
Fund balance, beginning of year	1,472,560	1,762,425	777,807	307,861	4,320,653
Fund balance, end of year	<u>\$1,710,636</u>	<u>\$ 1,558,488</u>	<u>\$ 883,444</u>	<u>\$ 312,803</u>	<u>\$4,465,371</u>

See notes to financial statements.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2015

Exhibit F

Change in fund balances - total governmental funds \$ 144,718

**Amounts reported for governmental activities in the Statement of Activities
are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense for the current year, are as follows:

Expenditures for capital assets	\$ 739,336	
Depreciation expense	<u>(360,234)</u>	379,102

Certain revenues not collected for several months after year end are not considered available revenue and are recognized as deferred inflows of resources in the governmental funds.	48,668
--	--------

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	505,000
---	---------

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Termination benefits	\$ 92,557	
Compensated absences	(4,999)	
Pension expense	(214,271)	
Other postemployment benefits	<u>(48,101)</u>	(174,814)

Interest on long-term debt in the Statement of Activities differs from the amount report in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	1,535
---	-------

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position.

	443,511
Change in net position of governmental activities	<u><u>\$1,347,720</u></u>

See notes to financial statements.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Statement of Net Position
Proprietary Fund
June 30, 2015

Exhibit G

Nonmajor
Enterprise
School
Nutrition

Assets

Current assets

Cash and cash equivalents	\$ 74,961
Accounts receivable	4,370
Due from other governments	2,735
Inventories	<u>4,973</u>
Total current assets	87,039

Noncurrent assets

Capital assets, net of accumulated depreciation	<u>19,553</u>
Total assets	<u>106,592</u>

Deferred Outflows of Resources

Pension related deferred outflows	<u>10,182</u>
-----------------------------------	---------------

Liabilities

Current liabilities

Accounts payable	541
------------------	-----

Noncurrent liabilities

Net pension liability	<u>44,361</u>
Total liabilities	<u>44,902</u>

Deferred Inflows of Resources

Pension related deferred inflows	<u>17,164</u>
----------------------------------	---------------

Net Position

Investment in capital assets	19,553
Unrestricted	<u>35,155</u>
Total net position	<u>\$ 54,708</u>

See notes to financial statements.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2015

Exhibit H

	Nonmajor Enterprise School Nutrition
Operating revenue	
Local sources	
Charges for service	<u>\$147,650</u>
Operating expenses	
Support services	
Operation and maintenance of plant	
Supplies	<u>8,377</u>
Non-instructional programs	
Food service operations	
Salaries	87,354
Benefits	24,018
Purchased services	1,648
Supplies	157,144
Depreciation	<u>4,006</u>
	<u>274,170</u>
Total operating expenses	<u>282,547</u>
Operating loss	<u>(134,897)</u>
Non-operating revenues	
Interest income	428
State sources	2,449
Federal sources	<u>134,502</u>
Total non-operating revenues	<u>137,379</u>
Change in net position	2,482
Net position beginning of year, as restated	<u>52,226</u>
Net position end of year	<u><u>\$ 54,708</u></u>

See notes to financial statements.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2015

Exhibit I

	<u>Nonmajor Enterprise School Nutrition</u>
Cash flows from operating activities	
Cash received from sale of services	\$ 144,632
Cash payments to employees for services	(115,852)
Cash payments to suppliers for goods and services	(162,719)
Net cash (used in) operating activities	<u>(133,939)</u>
Cash flows from non-capital financing activities	
State grants received	2,449
Federal grants received	121,349
Net cash provided by non-capital financing activities	<u>123,798</u>
Cash flows from capital and related financing activities	
Acquisition of capital assets	<u>-</u>
Cash flows from investing activities	
Interest on investments	428
Net (decrease) in cash and cash equivalents	(9,713)
Cash and cash equivalents, beginning of year	84,674
Cash and cash equivalents, end of year	<u>\$ 74,961</u>
 Reconciliation of operating (loss) to net cash (used in) operating activities	
Operating (loss)	\$(134,897)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities	
Depreciation	4,006
Commodities used	13,264
(Increase) in accounts receivable	(3,018)
(Decrease) in net pension liability	(11,462)
(Increase) in deferred outflows of resources	(10,182)
Increase in deferred inflows of resources	17,164
(Decrease) in inventory	(3,733)
(Increase) in accounts payable	(5,081)
Net cash (used in) operating activities	<u>\$(133,939)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2015, the District received \$13,264 of federal commodities.

See notes to financial statements.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2015

Exhibit J

	<u>Agency</u>
Assets	
Cash, cash equivalents and pooled investments	\$26,468
Liabilities	
Due to others	<u>26,468</u>
Net position	<u>\$ -</u>

See notes to financial statements.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2015

Note 1. Summary of Significant Accounting Policies

The West Branch Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. The geographic area served includes the City of West Branch, Iowa, and the agricultural territory in Cedar and Johnson Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, West Branch Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The West Branch Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Statewide Sales, Services and Use Tax Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets from the revenue of the Statewide Sales, Services and Use Tax.

The Capital Projects Physical Plant and Equipment Levy Fund is used to account for a regular property tax levy and a special voted property tax levy per thousand dollars of assessed valuation in the District for use in the purchase of equipment and repairing and improving school buildings and grounds.

The District reports no major proprietary funds; however, it reports one non-major proprietary fund, the School Nutrition Fund, which is used to account for the food service operations of the District.

The District also reports a fiduciary fund which focuses on net position and changes in net position. The District's fiduciary fund consists of the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations. The District's Agency Fund is used to account for activity of a student assistance program.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, compensated absences, termination benefits and claims and judgments are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments - The cash balances of most District funds are pooled and invested. Investments are stated at fair value, except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

The Iowa Schools Joint Investment Trust is a common law trust established under Iowa law and is administered by an appointed investment management company. The fair value of the position in the trust is the same as the value of the shares.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding property tax receivable has been recorded, the

related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2014.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,500
Buildings	\$ 2,500
Improvements other than buildings	\$ 2,500
Intangibles	\$25,000
Furniture and equipment:	
School Nutrition Fund equipment	\$ 500
Other furniture and equipment	\$ 2,500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Useful Life</u>
Buildings and improvements	20-50 years
Improvements other than buildings	20 years
Intangibles	5-10 years
Furniture and equipment	4-20 years

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Salaries and Benefits Payable - Teacher contracts and payroll for hourly employees are paid at June 30, 2015; however, the benefits on these payments are not paid until July. Therefore, these benefits have been accrued as liabilities.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax and income surtax receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Termination Benefits - District employees meeting certain requirements are eligible for early retirement benefits. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The early retirement liability has been computed based on rates of pay in effect at June 30, 2015. The early retirement liability attributable to the governmental activities will be paid primarily from the Management Fund.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Fund Balances - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned - All amounts not included in the preceding classifications.

Net Position - In the district-wide Statement of Net Position, net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation

Net position restricted through enabling legislation includes \$116,797 for management levy purposes, \$1,112,279 for physical plant and equipment, \$116,474 for student activities and \$1,558,988 for school infrastructure.

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

F. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2. Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime

eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$1,020,147 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust were rated AAAm by Standard & Poor's Financial Services.

Note 3. Interfund Transfers

The details of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Nonmajor governmental	Capital Projects	
Debt Service	Statewide Sales, Services and Use Tax	\$ 244,543

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. The transfer from the Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was for payment of principal and interest on long-term debt.

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2015 was as follows:

	<u>Balance, Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, End of Year</u>
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land	\$ 116,055	\$ -	\$ -	\$ 116,055
Capital assets being depreciated:				
Buildings and improvements	11,937,583	-	-	11,937,583
Improvements other than buildings	1,062,993	473,486	-	1,536,479
Furniture and equipment	1,482,962	265,850	-	1,748,812
Total capital assets being depreciated	14,483,538	739,336	-	15,222,874
Less accumulated depreciation for:				
Buildings and improvements	4,264,715	225,443	-	4,490,158
Improvements other than buildings	622,526	58,726	-	681,252
Furniture and equipment	1,259,813	76,065	-	1,335,878
Total accumulated depreciation	6,147,054	360,234	-	6,507,288
Total capital assets being depreciated, net	8,336,484	379,102	-	8,715,586
Governmental activities capital assets, net	\$ 8,452,539	\$ 379,102	\$ -	\$ 8,831,641

Business type activities

Furniture and equipment	\$ 142,301	\$ -	\$ -	\$ 142,301
Less accumulated depreciation	<u>118,742</u>	<u>4,006</u>	<u>-</u>	<u>122,748</u>
Business type activities capital assets, net	<u>\$ 23,559</u>	<u>\$ (4,006)</u>	<u>\$ -</u>	<u>\$ 19,553</u>

Depreciation expense was charged to the following functions:

Governmental activities

Instruction	
Regular	\$ 4,863
Other	10,784
Support services	
Support services	3,758
Administration	502
Operation and maintenance of plant	4,522
Transportation	<u>46,025</u>
	70,454
Unallocated depreciation	<u>289,780</u>
Total governmental activities depreciation expense	<u>\$ 360,234</u>

Business type activities

Food services	<u>\$ 4,006</u>
---------------	-----------------

Note 5. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2015 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
Governmental activities					
General obligation bonds	\$ 1,455,000	\$ -	\$ (370,000)	\$ 1,085,000	\$ 360,000
Revenue bonds	2,850,000	-	(135,000)	2,715,000	135,000
Termination benefits	129,907	-	(92,557)	37,350	9,600
Compensated absences	34,593	30,485	(25,486)	39,592	-
Net pension liability	4,094,909	-	(1,181,826)	2,913,083	-
Net OPEB liability	<u>211,946</u>	<u>65,132</u>	<u>(17,031)</u>	<u>260,047</u>	<u>-</u>
Totals	<u>\$ 8,776,355</u>	<u>\$ 95,617</u>	<u>\$ (1,821,900)</u>	<u>\$ 7,050,072</u>	<u>\$ 504,600</u>
Business type activities					
Net pension liability	<u>\$ 62,358</u>	<u>\$ -</u>	<u>\$ (17,997)</u>	<u>\$ 44,361</u>	<u>\$ -</u>

Interest costs incurred and charged to expense on all long-term debt was \$122,521 for the year ended June 30, 2015. During the year ended June 30, 2015, the District made principal payments on long-term debt of \$505,000.

Termination Benefits

The District offers a voluntary early retirement plan to its certified employees, who meet certain eligibility guidelines. This voluntary early retirement plan is offered annually at the board's discretion. Eligible employees must be at least age fifty-five and have completed fourteen years of consecutive service to the District. Employees must complete an application, which is required to be approved by the Board of Education.

All employees who apply and are approved will receive a 50% benefit based upon certain criteria. For a teacher, the benefit is based upon the Schedule A salary, longevity and extended contract. Excluded from consideration is Phase I, II and III monies, Schedule B salary, and teacher quality money. Benefits for all other employees shall be based upon the contracted salary or yearly salary based on letter of assignment. Benefits for part-time employees shall be prorated as determined by the average of full-time equivalency of the last five years of employment.

The early retirement benefits are as follows:

- A. If the employee wishes to remain on the District's insurance policy, the amount of the benefit will be placed in a Health Care Savings Plan. This contribution will be made on behalf of the employee tax-free. The deposits will grow tax-free and are used at retirement tax-free for eligible medical expenses and premiums.
- B. If the employee waives the District's health insurance policy, the benefit will be placed in a special pay deferral plan (403(b)). The contribution will be made on behalf of the employee tax-deferred. The deposits grow tax-deferred and can be accessed by the retiree at any time. The withdrawals will be taxable at the time of withdrawal to the employee.

The employee must notify the Board on or before February 1st to receive the early retirement benefits. Depending upon the economic impact to the District, the Board may limit the number of employees allowed to take early retirement in any fiscal year. At June 30, 2015, there were five individuals receiving the benefit and the total liability was \$37,350.

Compensated Absences

District employees accumulate vacation and compensatory hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as expenditures by the District until used or paid. The District's approximate maximum liability for unrecognized accrued employee benefits at June 30, 2015 was \$39,592.

Refunded General Obligation Bonds

On March 6, 2012, the District issued \$2,175,000 of general obligation bonds to refund the general obligation bond issue of July 1, 2008. On June 1, 2012 the remaining balance of

\$2,445,000 of the 2008 issue was called and paid from the proceeds of the refunding general obligation bonds. This amount is considered to be extinguished and, therefore, excluded from the long-term debt of the District at June 30, 2013. This current refunding was undertaken to reduce total debt service payments over the next six years by \$182,200 and resulted in an economic gain of \$178,202.

Details of the District's June 30, 2015 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond issue of March 6, 2012			
	Interest Rates	Interest	Principal	Total
2016	0.800%	\$ 11,043	\$ 360,000	\$ 371,043
2017	1.000%	8,162	360,000	368,162
2018	1.250%	4,563	365,000	369,563
Totals		<u>\$ 23,768</u>	<u>\$ 1,085,000</u>	<u>\$ 1,108,768</u>

Revenue Bonds

Details of the District's June 30, 2015 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond issue of June 1, 2010			
	Interest Rates	Interest	Principal	Total
2016	3.00	\$ 105,417	\$ 135,000	\$ 240,417
2017	3.00	101,367	135,000	236,367
2018	3.25	97,067	140,000	237,067
2019	3.50	92,167	150,000	242,167
2020	3.70	86,675	155,000	241,675
2021-2025	3.9-4.15%	334,015	885,000	1,219,015
2026-2030	4.2-4.35%	126,064	1,115,000	1,241,064
Totals		<u>\$ 942,772</u>	<u>\$ 2,715,000</u>	<u>\$ 3,657,772</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$3,255,000 of bonds issued in June 2010. The bonds were issued for the purpose of financing a portion of the costs of a weight room and practice gym construction project. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual interest payments on the bonds are expected to require approximately 50 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$3,657,772 at June 30, 2015. For the current year, there was \$108,792 of interest and \$135,000 of principal paid on the bonds and total statewide sales, services and use tax revenues were \$770,794.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$256,002 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account.
- b) Proceeds of the bonds shall be deposited into the project account, which is to be used to finance the construction project. Interest earned by the project account shall remain in the project account and be spent in accordance with the resolution and applicable provisions of the Code.
- c) All proceeds from the statewide sales, services and use tax shall be placed in the revenue account.
- d) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds.
- e) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District complied with all the revenue bond provisions during the year ending June 30, 2015.

Note 6. Pension Plan

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).

- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$451,253.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$2,957,444 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.073075 percent, which was a decrease of 0.000348 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$217,534. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 32,142	\$ -
Changes of assumptions	130,520	-
Net difference between projected and actual earnings on pension plan investments	-	1,128,138
Changes in proportion and differences between District contributions and proportionate share of contributions	(16,125)	-
District contributions subsequent to the measurement date	<u>451,253</u>	<u>-</u>
Total	<u>\$ 597,790</u>	<u>\$ 1,128,138</u>

\$451,253 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2016	\$ (247,796)
2017	(247,796)
2018	(247,796)
2019	(247,796)
2020	9,583
Total	<u>\$ (981,601)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2014)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-

term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1- percentage-point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$5,588,049	\$2,957,444	\$736,981

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPER's website at www.ipers.org.

Payables to the Pension Plan - At June 30, 2015, the District reported no payables to the defined benefit pension plan for legally required employer or employee contributions, which had been withheld from employee wages but not yet remitted to IPERS.

Note 7. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees, and their spouses. There are 82 active and four retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of the plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 59,833
Interest on net OPEB obligation	5,299
Adjustment to annual required contribution	<u>(14,009)</u>
Annual OPEB cost	51,123
Contributions made	<u>(3,022)</u>
Increase in net OPEB obligation	48,101
Net OPEB obligation beginning of year	<u>211,946</u>
Net OPEB obligation end of year	<u>\$ 260,047</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$3,022 to the medical plan. Plan members eligible for benefits contributed nothing of the premium costs for the OPEB obligation.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2015 are summarized as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2013	\$ 50,593	15.4%	\$ 169,213
2014	\$ 46,338	7.8%	\$ 211,946
2015	\$ 51,123	5.9%	\$ 260,047

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$281,716, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$281,716. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$5.2 million and the ratio of UAAL to covered payroll was 5.5%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required

Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2012 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 6%. The medical trend rate is reduced 0.5% each year until reaching the 6% ultimate trend rate. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 8. Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$334,042 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Contingencies

Grant Funding - The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2015, significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

Note 11. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2015 is comprised of the following programs:

Program

Limited English proficiency program	\$ 5,275
Home school assistance program	3,113
Gifted and talented	161,065
Returning dropout and dropout prevention program	239,603
Four-year-old preschool state aid	207,242
Beginning teacher mentoring and induction program	8,602
Teacher salary supplement	78,582
Early intervention	60,276
Textbook aid for nonpublic students	3,663
Early literacy	3,164
Educator quality, professional development for model core curriculum	8,481
Educator quality, professional development	<u>2,613</u>
	<u>\$ 781,679</u>

Note 12. Unspent Authorized Budget

The District's unspent authorized budget, as calculated by the Iowa Department of Management was \$1,138,821 at June 30, 2015.

Note 13. Solvency Ratio

The District's solvency ratio at June 30, 2015 is calculated as follows:

$$\frac{\text{Unassigned General Fund Balance}}{\text{General Fund Revenues}} = \frac{\$ 928,957}{\$8,932,154} = 10.4\%$$

Note 14. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business type Activities
Net position June 30, 2014, as previously reported	\$ 8,444,572	\$ 108,049
Net pension liability at June 30, 2014	(4,094,909)	(62,358)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	<u>429,220</u>	<u>6,535</u>
Net position July 1, 2014, as restated	<u>\$ 4,778,883</u>	<u>\$ 52,226</u>

Note 15. Deficit Net Position

The District's Governmental Activities had a deficit in unrestricted net position of \$2,591,255 at June 30, 2015.

Required Supplementary Information

WEST BRANCH COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual
All Governmental Funds and Proprietary Fund

Required Supplementary Information
For the Year Ended June 30, 2015

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
Revenues						
Local sources	\$ 5,886,930	\$ 148,078	\$ 6,035,008	\$ 6,575,754	\$ 6,575,754	\$ (540,746)
State sources	5,176,561	2,449	5,179,010	4,329,183	4,329,183	849,827
Federal sources	234,515	134,502	369,017	231,295	231,295	137,722
Total revenues	11,298,006	285,029	11,583,035	11,136,232	11,136,232	446,803
Expenditures/Expenses						
Instruction	6,293,205	-	6,293,205	7,050,000	7,050,000	756,795
Support services	3,087,562	8,377	3,095,939	3,575,000	3,575,000	479,061
Non-instructional programs	-	274,170	274,170	400,000	400,000	125,830
Other expenditures	1,772,629	-	1,772,629	2,502,403	2,502,403	729,774
Total expenditures/expenses	11,153,396	282,547	11,435,943	13,527,403	13,527,403	2,091,460
Excess (deficiency) of revenues over (under) expenditures/expenses	144,610	2,482	147,092	(2,391,171)	(2,391,171)	2,538,263
Net other financing sources	108	-	108	-	-	108
Change in fund balance	144,718	2,482	147,200	(2,391,171)	(2,391,171)	2,538,371
Balance, beginning of year, as restated	4,320,653	52,226	4,372,879	3,076,887	3,076,887	1,295,992
Balance, end of year	\$ 4,465,371	\$ 54,708	\$ 4,520,079	\$ 685,716	\$ 685,716	\$ 3,834,363

See accompanying Independent Auditor's Report.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2015

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures/expenses known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. The District did not amend the certified budget during the year ended June 30, 2015.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System
Last Fiscal Year*
Required Supplementary Information

	<u>2015</u>
District's proportion of the net pension liability	0.073075
District's proportionate share of the net pension liability	\$ 2,957,444
District's covered-employee payroll	\$ 5,053,225
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	58.53%
Plan fiduciary net position as a percentnage of the total pension liability	87.61%

*The amounts preseneted for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Schedule of District Contributions
Iowa Public Employees' Retirement System
Last 10 Fiscal Years
Required Supplementary Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Statutorily required contributions	\$ 451,253	\$ 441,754	\$ 411,722	\$ 374,638	\$ 320,201	\$ 301,807	\$ 280,443	\$ 249,276	\$ 221,063	\$ 208,398
Contributions in relation to the statutorily required contribution	<u>(451,253)</u>	<u>(441,754)</u>	<u>(411,722)</u>	<u>(374,638)</u>	<u>(320,201)</u>	<u>(301,807)</u>	<u>(280,443)</u>	<u>(249,276)</u>	<u>(221,063)</u>	<u>(208,398)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$5,053,225	\$4,946,853	\$4,748,812	\$4,642,354	\$4,607,209	\$4,538,451	\$4,416,425	\$4,120,264	\$3,844,574	\$3,624,313
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

See accompanying Independent Auditor's Report.

West Branch Community School District
Notes to Required Supplementary Information – Pension Liability
Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates

West Branch Community School District
Notes to Required Supplementary Information – Pension Liability
Year ended June 30, 2015

- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation to the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Schedule of Funding Progress for the
Retiree Health Plan
Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$268,375	\$268,375	\$ -	\$4,628,758	5.8%
2011	July 1, 2009	-	268,375	268,375	-	4,499,215	6.0%
2012	July 1, 2009	-	268,375	268,375	-	4,781,915	5.6%
2013	July 1, 2012	-	290,703	290,703	-	4,891,950	5.9%
2014	July 1, 2012	-	281,716	281,716	-	5,014,896	5.6%
2015	July 1, 2012	-	281,716	281,716	-	5,163,666	5.5%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Supplementary Information

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015

Schedule 1

	<u>Special Revenue</u>		<u>Capital</u>		
	<u>Student</u>	<u>Management</u>	<u>Projects</u>	<u>Debt</u>	
	<u>Activity</u>	<u>Levy</u>	<u>Other</u>	<u>Service</u>	<u>Total</u>
			<u>Projects</u>		
Assets					
Cash, cash equivalents and pooled investments	\$ 141,677	\$152,038	\$ 500	\$ 38,791	\$ 333,006
Receivables					
Property tax					
Delinquent	-	2,109	-	2,891	5,000
Succeeding year	-	310,000	-	371,542	681,542
Accounts receivable	997	-	-	-	997
Total assets	<u>\$ 142,674</u>	<u>\$464,147</u>	<u>\$ 500</u>	<u>\$ 413,224</u>	<u>\$1,020,545</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable	<u>\$ 26,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,200</u>
Deferred inflows of resources					
Unavailable revenue					
Succeeding year property tax	<u>-</u>	<u>310,000</u>	<u>-</u>	<u>371,542</u>	<u>681,542</u>
Fund balances					
Restricted for					
Debt service	-	-		41,682	41,682
Management levy purposes	-	154,147	-	-	154,147
Student activities	116,474	-	-	-	116,474
School infrastructure	-	-	500	-	500
Total fund balances	<u>116,474</u>	<u>154,147</u>	<u>500</u>	<u>41,682</u>	<u>312,803</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 142,674</u>	<u>\$464,147</u>	<u>\$ 500</u>	<u>\$ 413,224</u>	<u>\$1,020,545</u>

See accompanying Independent Auditor's Report.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2015

Schedule 2

	<u>Special Revenue</u>		<u>Capital Projects</u>	<u>Debt</u>	<u>Total</u>
	<u>Student Activity</u>	<u>Management Levy</u>	<u>Other Projects</u>	<u>Service</u>	
Revenues					
Local sources					
Local tax	\$ -	\$277,277	\$ -	\$379,623	\$ 656,900
Other	384,974	7,568	-	-	392,542
State sources	-	4,781	-	6,966	11,747
Total revenues	<u>384,974</u>	<u>289,626</u>	<u>-</u>	<u>386,589</u>	<u>1,061,189</u>
Expenditures					
Current					
Instruction					
Regular	-	92,557	-	-	92,557
Other	<u>388,569</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>388,569</u>
Total instruction	<u>388,569</u>	<u>92,557</u>	<u>-</u>	<u>-</u>	<u>481,126</u>
Support services					
Administration	-	46,326	-	-	46,326
Operation and maintenance of plan	-	129,716	-	-	129,716
Transportation	-	14,566	-	-	14,566
Total support services	<u>-</u>	<u>190,608</u>	<u>-</u>	<u>-</u>	<u>190,608</u>
Other expenditures					
Long-term debt					
Principal	-	-	-	505,000	505,000
Interest and fiscal charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>124,056</u>	<u>124,056</u>
Total other expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>629,056</u>	<u>629,056</u>
Total expenditures	<u>388,569</u>	<u>283,165</u>	<u>-</u>	<u>629,056</u>	<u>1,300,790</u>
Excess (deficiency) of revenues over (under) expenditures	(3,595)	6,461	-	(242,467)	(239,601)
Other financing sources					
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>244,543</u>	<u>244,543</u>
Change in fund balances	(3,595)	6,461	-	2,076	4,942
Fund balances, beginning of year	<u>120,069</u>	<u>147,686</u>	<u>500</u>	<u>39,606</u>	<u>307,861</u>
Fund balances, end of year	<u>\$116,474</u>	<u>\$154,147</u>	<u>\$ 500</u>	<u>\$ 41,682</u>	<u>\$ 312,803</u>

See accompanying Independent Auditor's Report.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
For the Year Ended June 30, 2015

Schedule 3

Account	Balance, Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance, End of Year
Drama	\$ 1,641	\$ 2,162	\$ 2,471	\$ (900)	\$ 432
Arts Angels	-	-	-	5	5
HS art	1,381	285	580	(3)	1,083
HS vocal music	406	60	132	-	334
HS instrumental music	2,044	2,359	5,250	1,000	153
Show choir	3,079	37,187	34,200	6,212	12,278
MS instrumental music	1,393	2,720	3,598	2,000	2,515
Musical	-	50	950	900	-
Swing show	2,819	5,857	300	(8,376)	-
Athletics	17,794	78,134	88,990	(1,300)	5,638
Golf fundraiser	447	2,339	3,245	459	-
MS basketball	-	2,355	2,131	-	224
Boys basketball camp	3,029	8,808	10,603	-	1,234
Football fundraiser	8,997	36,204	39,826	-	5,375
MS football	159	-	10	-	149
Baseball fundraiser	5,751	8,522	10,684	-	3,589
Boys track fundraiser	854	1,513	1,351	-	1,016
Wrestling fundraiser	212	5,535	9,244	3,497	-
Girls basketball camp	3,818	5,426	4,510	-	4,734
Volleyball	-	-	-	-	-
Volleyball fundraiser	569	17,533	13,559	-	4,543
Girls track	-	899	918	52	33
Softball captains	1,911	6,641	6,515	-	2,037
Girls track fundraiser	4,996	5,183	4,019	(52)	6,108
Girls golf	-	-	556	556	-
Cheerleaders	1,934	3,787	2,427	-	3,294
Weightlifting	-	3,460	2,291	1,300	2,469
HS manufacturing	-	80	379	299	-
Industrial tech club	453	171	1,259	635	-
High school vending	-	2,034	3,325	1,982	691
High school fund	1,845	1,882	2,362	-	1,365
Elementary school fund	3,744	16,922	16,273	-	4,393
HS yearbook	9,279	8,863	8,215	-	9,927
HS student government	1,129	3,564	4,075	-	618
HS Plus 4 program fund	-	663	63	-	600

See accompanying Independent Auditor's Report.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
For the Year Ended June 30, 2015

Schedule 3

Account	Balance, End of Year	Revenues	Expenditures	Intrafund Transfers	Balance, End of Year
Journalism - The Bear	\$ 4,648	\$ 4,651	\$ 6,270	\$ -	\$ 3,029
Middle school fund	-	33,278	27,436	(2,065)	3,777
Hoover IMC	636	4,671	4,630	-	677
MS IMC	1	62	-	-	63
HS media	853	299	745	-	407
MS pop fund	-	-	65	65	-
FFA Donation Fund	4,295	775	-	-	5,070
Family and consumer science	318	-	-	(318)	-
FFA	6,894	27,456	25,915	-	8,435
MS yearbook	852	3,115	3,489	-	478
National Honor Society	1,141	1,773	1,562	-	1,352
Central office	289	-	-	-	289
Economics club	384	-	-	(384)	-
Entrepreneurship	150	-	-	(150)	-
Ski club	1,507	-	1,507	-	-
Class of					
2014	1,127	-	-	(1,127)	-
2015	-	30	-	(30)	-
2016	-	7,442	7,469	27	-
Hart Donation	7,084	-	400	(5,771)	913
National Art Honor Society	144	-	-	-	144
Robotics Fund Balance	-	12,220	11,495	-	725
Interest	1,342	-	-	323	1,665
Fine Art Fund Balance	8,720	18,004	13,275	1,164	14,613
Totals	<u>\$ 120,069</u>	<u>\$ 384,974</u>	<u>\$ 388,569</u>	<u>\$ -</u>	<u>\$ 116,474</u>

See accompanying Independent Auditor's Report.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund
For the Year Ended June 30, 2015

Schedule 4

	Balance, Beginning of <u>Year</u>	<u>Additions</u>	<u>Deductions</u>	Balance, End of <u>Year</u>
Assets				
Cash	<u>\$24,322</u>	<u>\$ 5,370</u>	<u>\$3,224</u>	<u>\$26,468</u>
 Liabilities				
Due to others	<u>\$24,322</u>	<u>\$ 5,370</u>	<u>\$3,224</u>	<u>\$26,468</u>

See accompanying Independent Auditor's Report.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Ten Years

	Modified Accrual Basis									
Revenues	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Local sources										
Local Tax	\$ 4,932,018	\$ 4,875,241	\$ 5,116,614	\$ 4,925,577	\$ 4,691,275	\$ 4,398,381	\$ 4,134,684	\$ 3,802,558	\$ 3,530,153	\$ 3,207,158
Tuition	405,532	308,202	320,063	359,884	341,921	311,607	333,537	296,713	256,336	257,077
Other	549,380	499,540	584,479	505,439	639,325	503,215	645,394	513,804	480,679	452,359
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	5,176,561	5,025,621	3,943,390	3,891,294	3,871,506	3,165,553	3,626,646	3,487,950	3,366,620	3,138,714
Federal sources	234,515	195,187	164,534	378,910	373,888	623,876	232,285	161,439	103,837	101,670
Total revenues	<u>\$ 11,298,006</u>	<u>\$ 10,903,791</u>	<u>\$ 10,129,080</u>	<u>\$ 10,061,104</u>	<u>\$ 9,917,915</u>	<u>\$ 9,002,632</u>	<u>\$ 8,972,546</u>	<u>\$ 8,262,464</u>	<u>\$ 7,737,625</u>	<u>\$ 7,156,978</u>
Expenditures										
Current										
Instruction										
Regular	\$ 4,005,872	\$ 3,880,842	\$ 3,888,687	\$ 4,030,291	\$ 3,248,979	\$ 3,462,979	\$ 3,861,631	\$ 3,314,655	\$ 3,207,172	\$ 2,986,032
Special	1,122,865	1,012,148	1,005,937	1,014,462	814,181	838,044	823,485	792,696	638,373	695,927
Other	1,164,468	1,178,256	1,147,033	897,540	1,202,122	1,091,710	834,467	694,487	634,199	611,646
Support services										
Student	236,207	240,100	198,984	202,912	232,893	237,065	211,360	162,540	150,008	176,789
Instructional staff	268,866	266,744	286,917	237,462	173,521	176,563	171,126	186,690	169,815	168,855
Administration	1,220,097	1,144,770	1,061,669	954,773	938,799	939,060	853,682	834,217	788,900	700,320
Operation and maintenance of plant	872,573	859,087	824,134	749,357	801,827	669,541	621,572	608,323	607,274	631,269
Transportation	489,819	357,261	341,087	345,223	328,325	428,549	311,792	388,764	285,488	335,477
Non-instructional programs	-	-	-	-	1,000	1,000	1,891	-	-	-
Other expenditures										
Facilities acquisition	809,531	197,259	303,625	2,963,978	1,666,903	1,461,246	2,598,230	718,263	476,773	490,044
Long-term debt										
Principal	505,000	500,000	490,000	2,580,000	310,000	364,752	290,000	-	-	-
Interest and other charges	124,056	129,397	137,262	250,861	177,330	107,942	123,851	-	-	-
AEA flowthrough	334,042	319,717	300,097	300,567	324,731	309,998	268,952	253,937	244,724	222,290
Total expenditures	<u>\$ 11,153,396</u>	<u>\$ 10,085,581</u>	<u>\$ 9,985,432</u>	<u>\$ 14,527,426</u>	<u>\$ 10,220,611</u>	<u>\$ 10,088,449</u>	<u>\$ 10,972,039</u>	<u>\$ 7,954,572</u>	<u>\$ 7,202,726</u>	<u>\$ 7,018,649</u>

See accompanying Independent Auditor's Report.

Kay L. Chapman, CPA PC

116 Harrison Street
Muscatine, Iowa 52761
563-264-1385
kchapman@cpakay.com

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of
West Branch Community School District:

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of West Branch Community School District as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated March 8, 2016.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered West Branch Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of West Branch Community School District's internal control. Accordingly, I do not express an opinion on the effectiveness of West Branch Community School District's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, I identified deficiencies in internal control I consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies described in Part I of the accompanying Schedule of Findings as items A and B to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Branch Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

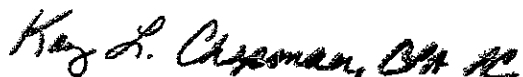
West Branch Community School District's Responses to the Findings

West Branch Community School District's responses to the findings identified in my audit are described in the accompanying Schedule of Findings. West Branch Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of West Branch Community School District during the course of my audit. Should you have any questions concerning any of the about matters, I shall be pleased to discuss them with you at your convenience.



Kay L. Chapman, CPA PC
March 8, 2016

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2015

Part I. Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES

- A. Segregation of Duties - The limited number of accounting personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities. I noted that the following duties were performed by the same individual: recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although I noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the District to obtain the maximum internal control possible under the circumstances.

Response - We will review our procedures and implement changes to improve internal control, as we deem necessary.

Conclusion - Response accepted.

- B. Material Misstatement not Detected - During the course of my audit, I discovered one material misstatement on the District's Certified Annual Report (CAR) that was not detected by the District's internal controls. The District's general long-term debt account was overstated by \$1,181,826 due to the reduction in pension liability not being recorded for the year ended June 30, 2015.

Recommendation - An effective system of internal control should detect material misstatements in the District's financial records and financial reporting. The District should review their control procedures and make appropriate changes to improve their internal controls to help eliminate this deficiency.

Response - We feel that our business manager has the knowledge needed to adequately perform her duties. The superintendent reviews some, but not all of the work performed and reports prepared by the business manager. We would like to hire additional office personnel to help with the business manager's workload and to provide more oversight and cross-checking of her work. However, with a limited budget, it is difficult to hire enough adequately-trained office personnel to review each other's work. We will review our procedures and consider making changes we deem necessary.

Conclusion - Response accepted.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2015

INSTANCES OF NON-COMPLIANCE

No matters were noted.

Part II. Other Findings Related to Required Statutory Reporting:

1. Certified Budget - Expenditures for the year ended June 30, 2015 did not exceed the amounts budgeted.
2. Questionable Expenditures - I noted no expenditures that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.
3. Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
4. Business Transactions - No business transactions between the District and District officials or employees were noted.
5. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
6. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board.
7. Certified Enrollment - One variance in the basic enrollment data certified to the Iowa Department of Education was noted. Two nonpublic, shared students were omitted on the certified enrollment submitted to the state, which resulted in the District's certified enrollment being understated by .08 students.

Recommendation - The District should contact the Iowa Department of Management and the Iowa Department of Education to resolve this issue.

Response - We have contacted the Iowa Department of Management and the Iowa Department of Education, as recommended.

Conclusion - Response accepted.

8. Supplementary Weighting - One variance regarding the supplementary weighting certified to the Iowa Department of Education was noted. Weighted enrollment was overstated by 1.102 due to the District including concurrent classes that were not allowable for supplementary weighting.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2015

Recommendation - The District should contact the Iowa Department of Management and the Iowa Department of Education to resolve this issue.

Response - We have contacted the Iowa Department of Management and the Iowa Department of Education, as recommended.

Conclusion - Response accepted.

9. Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
10. Certified Annual Reports - The Certified Annual Report was certified timely to the Iowa Department of Education.
11. Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
12. Statewide Sales, Services and Use Tax - No instances of noncompliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 1,762,425
Revenues		
Statewide sales and services tax revenue	\$ 770,794	
Other local revenues	<u>514</u>	771,308
Expenditures/transfers out		
School infrastructure		
School infrastructure construction	\$ 726,926	
Equipment	<u>3,776</u>	
Debt service for school infrastructure		
General obligation debt	<u>244,543</u>	<u>975,245</u>
Ending balance		<u>\$ 1,558,488</u>

For the year ended June 30, 2015, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2015

13. Deficit Net Position - The District's Governmental Activities had a negative unrestricted net position of \$2,591,255 at June 30, 2015.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate this deficit in order to return the accounts to sound financial condition.

Response - This deficit was a result of adopting GASB Statement No. 68 during the year ended June 30, 2015. We will review the situation and implement changes as we deem necessary.

Conclusion - Response accepted.

WEST BRANCH COMMUNITY SCHOOL DISTRICT

Audit Staff

June 30, 2015

This audit was performed by

Kay Chapman, CPA

Terri Slater, staff accountant